

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-02 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-06

SAM-01 OES-06 SP-02 SS-15 STR-04 TRSE-00 ACDA-07 PA-01

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FM AMCONSUL CASABLANCA

TO SECSTATE WASHDC 4465

INFO AMEMBASSY RABAT

C O N F I D E N T I A L CASABLANCA 1278

E.O. 11652: GDS

TAGS: EINV, ENRG, MO

SUBJ: SETTLEMENT OF ESSO CASE

REF: (A) CASABLANCA 1076, (B) CASABLANCA 1254

1. JOHN ROOT, VICE PRESIDENT OF ESSO AFRICA, TOLD COMOFF NOVEMBER 17 THAT FURTHER PROGRESS HAD BEEN MADE TOWARDS SETTLEMENT OF ESSO CASE AND THAT FINAL SETTLEMENT IS "AWFULLY CLOSE". ROOT AND TEAM OF THREE LAWYERS HAVE BEEN ENGAGED IN INTENSIVE DISCUSSIONS WITH SOCIETE NATIONALE DES PRODUITS PETROLIERS (SNPP) FOR PAST SEVERAL DAYS. OUTCOME IF PACKAGE OF FIVE AGREEMENTS (ONE INVOLVING SALE OF SHARES, ONE CONCERNING TRADE MARK, AND 3 ON COOPERATION). ROOT DEPARTED MOROCCO NOVEMBER 17 FOR LONDON, WHERE HE HOPES IRON OUT REMAINING ROYALTIES PROBLEM (SEE PARA 5 BELOW). ROOT FEELS VEXATIOUS AGENT QUESTION (PARA 3 REF A) NO LONGER A PROBLEM. DETAILS FOLLOW.

2. THE MAJOR AGREEMENT INVOLVES THE SALE OF SHARES OF
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ESSO STANDARD MAROC AND ESSO GAZ MAROC TO SNPP. THE

DOCUMENT SPELLING OUT THIS ARRANGEMENT, WHICH HAS BEEN AGREED ON IN FRENCH BETWEEN ESSO AND THE SNPP, IS BEING DEPOSITED WITH FNCB (MAGHREB) IN CASABLANCA. THE ARRANGEMENTS INVOLVE SUBMISSION BY ESSO WITHIN FOUR MONTHS OF RECEIPTS FOR TAXES PAID BY ESSO, AND OF DOCUMENTS GRANTING EXCHANGE CONTROL PERMISSION SO THAT BLOCKED ESSO DIVIDEND CAN BE PAID. ESSO HAS OVERCOME SNPP'S RESERVATIONS ON USE OF FNCB AS INTER-MEDIARY STEMMING FROM FACT THAT EARLY IN 1975, JUST AFTER TAKEOVER OF ESSO BY GOM, FNCB DROPPED HANDLING OF ACCOUNTS OF SUCCESSOR OF ESSO. ROOT SAID THAT EARLIER AGREEMENT ON PRICE (\$5 M) AND TAXES (ABOUT \$300,000) APPEARS FIRM.

3. THE TRADE MARK AGREEMENT ALLOWS THE SNPP OR NEW COMPANIES SET UP TO REPLACE ESSO MAROC TO USE THE ESSO TRADEMARK FOR 18 MONTHS. ROOT TERMED THIS A RELATIVELY LONG TIME, AND SAID IT REPRESENTED ONE OF MAJOR CONCESSIONS ON ESSO'S PART.

4. THREE COOPERATION AGREEMENTS ALSO INVOLVED IN PACKAGE: BY TERMS OF FIRST, ESSO WILL PROVIDE THE SNPP OR ITS DESIGNEE A REGULAR SUPPLY OF LUBRICANTS FOR A PERIOD OF FIVE YEARS. THE SECOND GIVES THE MOROCCANS THE RIGHT TO MIX THE LUBRICANTS (BASE PLUS ADDITIVE) ACCORDING TO FORMULAE SUPPLIED BY ESSO FOR FIVE YEARS. BY THE TERMS OF THE THIRD COOPERATION AGREEMENT ESSO CHEMICAL BRUSSELS WILL ACT AS DISTRIBUTORS FOR SNPP OR SUCCESSOR COMPANIES OF ESSO MAROC. ESSO HAS AGREED NOT TO TRY TO ENTER THE MOROCCAN MARKET FOR FIVE ADDITIONAL YEARS AFTER THE FIVE YEAR PERIOD DURING WHICH ESSO CHEMICAL BRUSSELS WILL ACT AS DISTRIBUTOR. ROOT SAID THAT SNPP SAYS IT MUST HAVE THREE COOPERATION AGREEMENTS OR THE OVERALL AGREEMENT "WILL NOT BE WORTH ANYTHING," A REVERSAL OF SNPP'S EARLIER POSITION.

5. ONE OF LAST POINTS TO BE SETTLED ON NOVEMBER 17 WAS AGREEMENT ON WHO PAYS FOR LETTERS OF CREDIT FOR FIRST AND THIRD COOPERATION AGREEMENT (ROOT DID NOT TELL US OVER PHONE HOW THIS HAD BEEN RESOLVED). ROOT CONFIDENTIAL

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SAID THE ONE REMAINING ISSUE IS THE SIZE OF ROYALTY INVOLVED IN BLENDING UNDER THE COOPERATION AGREEMENTS. ROOT SAID AS HE WAS LEAVING FOR LONDON THAT THE TWO SIDES WERE ONLY "\$10,000 APART" ON THIS. HE IS HOPEFUL THAT IT CAN BE RESOLVED IN LONDON AND HE CAN ADVISE MOROCCANS OF ESSO'S AGREEMENT. ACTUAL SIGNATURE OF OVERALL AGREEMENT WILL, SAID ROOT, BE A QUESTION OF CONVENIENCE INVOLVING PRESIDENT OF ESSO AND MOROCCAN

MINISTER OF COMMERCE & INDUSTRY ABDELLATIF GHISSASSI. MONJO

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